

October 13, 2017

Ms. Ruby Potter
Health Facilities Coordination Officer
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

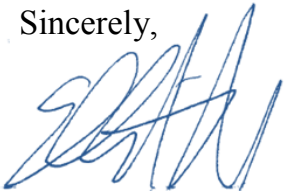
Re: Recovery Centers of America
Earleville—314 Grove Neck Road OPCO, LLC (Matter No. 15-07-2363)

Dear Ms. Potter:

On behalf of applicant 314 Grove Neck Road OPCO, LLC, I write to submit its Certificate of Need Quarterly Progress Report No. 3 for the Reporting Period June 16, 2017 through September 30, 2017.

Also enclosed is the applicant's Request for Post-Approval Project Change, seeking project cost increases to accommodate underestimated financial projections and a revised allocation of costs to the CON-regulated ICF portion of its project.

I hereby certify that copies of these submissions have also been forwarded to the appropriate local health planning agency as noted below.

Sincerely,


Ella R. Aiken

ERA:blr

Enclosures

cc: Kevin McDonald, Chief, Certificate of Need
Suellen Wideman, Esq., Assistant Attorney General, MHCC
Stephanie Garrity, Health Officer, Cecil County
JP Christen, Chief Operating Officer, Recovery Centers of America
Edmund J. Campbell, Jr., Esq.
Thomas C. Dame, Esq.

#607509
013522-0004

IN THE MATTER OF	*	
RECOVERY CENTERS OF AMERICA	*	
ESTABLISHMENT OF	*	BEFORE THE
INTERMEDIATE CARE FACILITY	*	MARYLAND HEALTH
314 GROVE NECK ROAD, EARLEVILLE , MARYLAND	*	CARE COMMISSION
Matter No. 15-07-2363	*	
	*	
* * * * * * * * * * * * *		

REQUEST FOR POST-APPROVAL PROJECT CHANGE

314 Grove Neck Road OPCO, LLC, an affiliate of Recovery Centers of America (“RCA Earleville”), by its undersigned counsel, asks the Maryland Health Care Commission (the “Commission”) to approve a project change to this Certificate of Need (“CON”).

I. BACKGROUND OF APPROVED PROJECT

The Commission issued a CON on December 15, 2016, authorizing RCA Earleville to develop a 21 bed intermediate care facility on a 530 acre site in Earleville, Cecil County, Maryland. The beds will be classified as American Society of Addiction Medicine Level III.7D – Medically Monitored Inpatient Detoxification (“ICF beds”). (**Exhibit 1**, December 15, 2016 CON.) While the CON review was pending, RCA Earleville renovated an existing structure on the site, the Manor House, and began operating a residential treatment unit not subject to CON review on October 5, 2016.¹ When the approved CON project is complete, the ICF beds will be housed in a two story addition to the existing Manor House. The first floor of the new additional will contain a 21-bed ICF bed unit and a 20-bed residential treatment unit. The second floor will

¹ RCA is also currently providing medically monitored detox services in the Manor House on a temporary basis pursuant to an approval letter dated February 14, 2017. When the new, CON regulated construction is complete, the Manor House beds will be used for residential services only.

contain a 28 bed residential treatment unit, for a total of 48 residential beds. The Manor House itself will contain 39 residential beds, for a total of 87 residential beds.

Recovery Centers of America (“RCA”) will be the operator of the facility, under an arrangement with RCA Earleville, the future licensee. RCA is a privately held company with a project mission to provide world class treatment with immediate solutions and a commitment to supporting lifelong recovery. It offers substance use disorder treatment services to its patients, family, alumni, and the larger community through a continuum of care using a technologically advanced, scientific treatment approach.

Currently, RCA operates inpatient and outpatient treatment centers in Massachusetts, New Jersey, Pennsylvania, and Maryland. The total project cost was estimated at \$32,581,335, with an approved cost of \$5,595,384 allocated for the CON-regulated ICF beds. The project relies solely on private funding. RCA’s estimated operating revenue has not increased, and as a result no payer will be affected by these project cost increases.

II. BASIS FOR REQUESTED PROJECT CHANGE

RCA Earleville is requesting an increase in capital costs based on two factors. As described more fully below, RCA Earleville’s total project costs have increased. In addition, RCA Earleville seeks to revise the percentage of total project costs allocated to the CON-regulated ICF portion of its project. For most line items, RCA seeks to allocate a higher percentage of total costs to the ICF portion of its project.

RCA Earleville requests a \$2,301,747 increase in capital costs allocated for the CON-regulated ICF beds, after removing allowable inflation. Because this increase results in part from a request to increase the percentage of total capital costs allocated to CON-regulated ICF, the percent increase of ICF bed costs is higher than the percent increase of total project costs.

Also, while capital costs attributable to ICF beds increase by \$2,369,342 (from \$3,864,674 to \$6,234,016) under the requested increase and change in percent allocation of costs, financing and capital startup costs increase costs decrease by \$576,144 (from \$1,730,710 to \$1,154,566). This is because RCA now believes the prior allocations understated the percent of capital costs allocated to the ICF beds, but overstated the percent of financing and startup costs allocated to ICF beds. As a result, while RCA requests a total increase in capital costs of \$2,369,342, the total use of funds for the ICF portion of the project (capital costs + financing costs + working capital startup costs) is less than that amount, at \$1,793,198. A revised budget showing the approved costs, requested increase, and variance is attached as **Exhibit 2-A**.

A. Current Progress and Increase in Project Capital Costs

RCA Earleville has made substantial progress at its Earleville facility. It has acquired the underlying real estate, secured the requisite land use approvals, opened the main house for services, and entered into a construction contract for renovations and new building required to complete the construction that will house both residential and regulated ICF beds. Construction is underway and RCA Earleville anticipates completion by October 2018, the applicable performance pursuant to COMAR § 10.24.01.12C(3)(c).

After receiving construction bids for the project, it became apparent that RCA Earleville had underestimated construction costs for its Maryland projects. As demonstrated by the revised budget, the increase costs are attributable to building costs, site and infrastructure, and increased contingency allowance. The increases are largely the result of RCA Earleville underestimating the construction costs required to complete the project.

B. Change in Allocation of ICF Expenses to Total Project Expenses

RCA Earleville's project will include a total of 87 unregulated residential beds and 21 CON-regulated ICF beds. Because the residential beds are not regulated, the CON issued by the Commission refers only to the costs attributable to the CON-regulated ICF beds. The costs approved by the Commission are based on a budget that allocates costs between the unregulated residential beds and the CON-regulated ICF beds. In projecting project costs, RCA Earleville based its allocations of some costs based on the number of detox beds to total residential beds, and, for other costs, on the number of detox beds in the new addition to total beds in the new addition. RCA Earleville modified its application on several occasions, changing the number of beds, and the proportion of detox to total beds, with each modification. Unfortunately, while the total project cost estimates were accurate at the time, RCA Earleville did not update the allocation percentage amount for all categories of costs with each modification. This resulted in an allocation which RCA Earleville believes is understated for the capital costs attributable to the CON-regulated ICF beds.

RCA Earleville believes it would be appropriate to change the allocation of costs for each category of expenses as follows: for costs attributable to the entire project, allocate costs based on the total number of ICF beds to the total number of beds (ICF and residential), a 19% allocation; for costs attributable only to the renovation, allocate costs based on the total number of ICF beds in the renovation space to the total number of beds in the renovated space (ICF and residential), a 30% allocation. Applying this allocation to the approved budget would increase the total capital costs attributable to ICF beds, but reduce financing and other costs attributable to those beds.

Exhibit 2 contains updated financial projections showing three versions of RCA Earleville's budget. **Exhibit 2-A** includes a comparison of the approved project cost attributable to ICF beds compared to RCA Earleville's requested project increase, and includes a column showing the total variance for each line item. While this budget demonstrates the net increase in costs RCA Earleville is requesting, it is, in some sense, an apples-to-oranges comparison because it is based not only on a request to increase project costs, but also on a request to allocate a higher portion of costs to the CON-regulated ICF beds. To put RCA Earleville's request in context, RCA Earleville also attaches **Exhibit 2-B**, showing what the increased costs would look like if the allocations in the approved budget were used, and **Exhibit 2-C**, showing what the increased costs would look like if the allocations that RCA Earleville now seeks permission to use had been used in the approved budget.

III. COMPARISON OF NEW TOTAL PROJECT COSTS AND ALLOWABLE CURRENT PROJECT COSTS

To assess whether the Commission must approve the increases in project costs described above, the CON-approved costs must be inflated by means of the inflation index set forth in the Commission's regulations to determine the currently allowable project costs. This computation is based on the process outlined in the document on the Commission's website: "Determining the Threshold for Required Approval of Changes in Certificate of Need Approved Capital Cost."²

The net requested increase after allowable inflation is \$2,301,747. RCA Earleville submitted its modified CON application on October 7, 2016. The Commission approved the application on December 15, 2016. The approved project costs for the regulated portion of the

² http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/con_cap_cost_index_1st_qtr_2015.pdf.

project was \$3,864,674, excluding inflation. Applying the inflation index which the Commission requires applicants to use once an application is approved would add 1.75% inflation.

Last Modification Date:	2016.4 ³				
Midpoint of Construction:	2018.1				
Step 1	2017.4	%MOVAVG	1.4	1.014	A
Step 2	2017.4	CIS Proxy	1.162		B
	2018.1	CIS Proxy	1.166		C
Step 3	C/B			1.003442	D
					Inflation %
Step 4	A*D			1.017491	1.75%
Total Approved ICF Capital Costs:	\$3,864,674				
Inflation Percentage	1.75%				
Allowable Inflation	\$67,595				
Inflated Capital Costs	\$3,932,269				
Total New ICF Capital Costs:	\$6,234,016				
Exceeding Approved Capital Costs:	\$2,301,747				

Because the increase in this project’s total current project cost is greater than the allowable total current project cost, RCA Earleville must obtain Commission approval. *See* COMAR § 10.24.01.17B(2).

IV. THE REQUESTED PROJECT CHANGE IS APPROVABLE

Commission regulation, COMAR § 10.24.01.17A, requires notification of any proposed project changes. Certain types of proposed project changes are impermissible, including the following:

- (1) Changes in the fundamental nature of a facility or the services to be provided in the facility from those that were approved by the Commission;

³ In performing this calculation, RCA Earleville started with the last modification date, rather than the project approval date, as the modification date better reflects the time when the estimated capital costs were current.

- (2) Increases in the total licensed bed capacity or medical service categories from those approved;
- (3) Any change that requires an extension of time to meet the applicable performance requirements specified under Regulation .12 of this chapter, except as permitted under Regulation .12E of this chapter.

COMAR § 10.24.01.17C.

The proposed changes identified in this filing do not change the fundamental nature of the project; will not result in an increase in the total licensed bed capacity as previously approved; and will not require any extension of time beyond what is permitted under COMAR § 10.24.01.12E to meet applicable performance requirements.

The following types of changes to a project require formal Commission approval:

- (1) Before making a significant change in physical plant design;
- (2) Before incurring capital cost increases that exceed the approved capital cost inflated by an amount determined by applying the Building Cost Index published in Health Care Cost Review from the application submission date to the date of the filing of a request for approval of a project change;
- (3) When total projected operating expenses or revenue increases exceed the projected expenses or revenues in the approved Certificate of Need Application, inflated by 10 percent per year;
- (4) Before changing the financial mechanisms of the project;
- (5) Before changing the location or address of the project.

COMAR § 10.24.01.17B. The only applicable change here is the increase of capital costs exceeding the approved capital costs inflated by the allowable amount.

CONCLUSION

RCA Earleville seeks project cost increases to accommodate underestimated financial projections and a revised allocation of costs to the CON-regulated ICF portion of its project.

RCA Earleville is a privately funded project that will provide much needed substance use disorder treatment services to an underserved region in Maryland, including a commitment of 15% of the net revenue associated with total ICF patient days. RCA Earleville's estimated operating revenue has not increased, and as a result no payer will be affected by these project cost increases. The modifications sought are permissible.

For all of the reasons set forth above, RCA Earleville respectfully requests that the Commission approve the proposed changes described above.

Respectfully submitted,



Thomas C. Dame
Ella R. Aiken
Gallagher Evelius & Jones LLP
218 North Charles Street, Suite 400
Baltimore MD 21201
(410) 727-7702
Attorneys for 314 Grove Neck Road, LLC

Date: October 13, 2017

I hereby declare and affirm under the penalties of perjury that the facts stated in the Request for Post-Approval Project Change of 314 Grove Neck Road OPCO, LLC and its attachments are true and correct to the best of my knowledge, information, and belief.

10/13/17

Date



JP Christen
Chief Operating Officer
Recovery Centers of America, LLC

I hereby declare and affirm under the penalties of perjury that the facts stated in the Request for Post-Approval Project Change of 314 Grove Neck Road OPCO, LLC and its attachments are true and correct to the best of my knowledge, information, and belief.

10/3/17

Date



Kevin McClure
Chief Financial Officer
Recovery Centers of America, LLC

EXHIBIT 1

MARYLAND HEALTH CARE COMMISSION

Certificate of Need

TO: J.P. Christen, Chief Operating Officer
314 Grove Neck Road OPCO, LLC
2701 Renaissance Boulevard, 4th Floor
King of Prussia, Pennsylvania 19406

December 15, 2016
Date

RE: 314 Grove Neck Road OPCO, LLC
d/b/a Recovery Centers of America Grove
Neck Road Facility
(Recovery Centers of America-Earleville)

15-07-2363
Docket No.

PROJECT DESCRIPTION

This Certificate of Need authorizes 314 Grove Neck Road OPCO, LLC, the applicant in this review, and 314 Grove Neck Road LLC, the owner of an exclusively inpatient alcohol and drug abuse treatment facility that is located in a renovated manor house situated on approximately 530 acres in Earleville (Cecil County), Maryland, to add 21 beds that are classified as American Society of Addiction Medicine (“ASAM”) level III.7D–Medically Monitored Inpatient Detoxification (“detox”). The project will also feature 87 residential beds that the applicant expects to license as ASAM level III.5–Clinically Managed High-Intensity Residential Treatment that are not subject to Certificate of Need (“CON”) review. Both of the previously named entities are owned by Recovery Centers of America Holdings LLC (“RCA”). RCA will provide corporate administrative staff, policies, and funding for both implementation and ongoing operations and will be the operator of the facility, under an arrangement with the applicant, the proposed licensee. The facility, which opened in October 2016, is known as Recovery Centers of America Grove Neck Road Facility. All RCA-related entities in this project are referred to collectively as “RCA-Earleville.” This CON permits RCA-Earleville to add a two-story addition to the Manor House that will house the 21-bed detox unit on the first floor. The Manor House will also house 48 residential treatment beds (a 20-bed unit on the first floor and a two-bed unit on the second floor). Construction is anticipated to take eight months.

The total project cost is estimated at \$32,581,335, with an approved \$5,595,384 estimated cost allocated for the CON-regulated detox beds. The application lists equity funding of \$4,561,387 and a mortgage of \$28,019,948 as the source of funds. Deerfield Management Company will provide the senior debt for the entire transaction. In the applicant’s modification responding to a project status conference held on September 20, 2016, RCA-Earleville attached a letter from Deerfield in which it reiterated its financing support for the project.

ORDER

The Maryland Health Care Commission reviewed the Reviewer's Recommended Decision, as amended on December 15, 2016, and, based on that analysis and the record in the review, ordered, on December 15, 2016, that a Certificate of Need be issued for the project, with the following conditions:

1. Prior to first use approval, RCA-Earleville must receive preliminary accreditation by the Joint Commission and must timely receive final accreditation by the Joint Commission.
2. Prior to first use approval, RCA-Earleville must provide executed transfer and referral agreements with the remaining categories of providers in standard .05J, for which it has not provided the agreements clearly identifying the category each provider or agency occupies.
3. Prior to first use approval, RCA-Earleville must document additional referral agreements with sources likely to refer indigent or gray area populations for treatment at RCA-Earleville, consistent with COMAR 10.24.14.05K.
4. RCA-Earleville shall provide a charity care commitment to indigent and gray area patients that is equivalent to 15% of the net revenue associated with total detox patient days (i.e., patient days in Level 3.7-D beds). RCA-Earleville shall document its provision of care to indigent and gray area patients on an annual basis by submitting an annual report completed by an independent firm of Certified Public Accountants using Agreed-Upon Procedures documents: its total net revenue; its net revenue from total detox patient days; the value of the charity care provided to indigent and gray area patients; and details the procedures used in the analysis. Each audited annual report shall be submitted to the Commission within 90 days of the end of RCA-Earleville's fiscal year, from the project's inception and continuing for five years thereafter.
5. At the end of the fifth year of full operation following completion of the approved project, RCA-Earleville will provide a report to the Commission on its program effectiveness using measures, drawn from recognized organizations that develop and promote the use of quality measures from other sources, that are approved by Commission staff within 120 days from the grant of first use approval. The evaluation of program effectiveness shall include, at a minimum, evaluation of treatment success through follow-up of discharged patients and collaborative efforts with similar treatment programs in Maryland and other states to initiate standardized peer review for study and improvement of program effectiveness.

PERFORMANCE REQUIREMENTS

In accordance with COMAR 10.24.01.12C(3)(f), this project is subject to the following performance requirements:

1. Obligation of not less than 51 percent of the approved capital expenditure, as documented by a binding construction contract, within 24 months of the date of this Certificate of Need;
2. Initiation of construction no later than four months after the effective date of the binding construction contract; and
3. Documentation that the approved project has been completed, has been licensed, and has met all legal requirements and is providing the approved services no later than 24 months after the effective date of the binding construction contract.

PROPOSED CHANGES TO APPROVED PROJECT

Before making any changes to the facts in the Certificate of Need application approved by the Commission, RCA-Earleville must notify the Commission in writing and receive Commission approval of each proposed change, including the obligation of any funds above those approved by the Commission in this Certificate of Need, in accordance with COMAR 10.24.01.17. Pursuant to COMAR 10.24.01.17B(2), the project cannot incur capital cost increases that exceed the approved capital cost, inflated by an amount determined by applying the Engineering News Record Building Cost Index published on a quarterly basis by IHS Economics in *Healthcare Cost Review*, unless it obtains a modification of this Certificate of Need from the Commission. Instructions for determining the threshold that necessitates Commission review and approval of changes to the capital cost approved in this Certificate of Need are located on the Commission's website:

http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/con_cap_cost_index_1st_qtr_2016.pdf

DESIGN APPROVAL AND FACILITIES LICENSURE BY DHMH

This CON does not constitute a license or replace any approvals required by the Office of Health Care Quality ("OHCQ"), the Behavioral Health Administration, or others within the Department of Health and Mental Hygiene ("DHMH") to construct and operate new space added to an existing facility, or to renovate space within an existing facility. RCA-Earleville must provide DHMH with all information it requires for plan approval, facility licensure, and putting into operation new space added to an existing facility, or renovated space within an existing facility, including information pertaining to project design and specifications.

QUARTERLY STATUS REPORTS

RCA-Earleville must submit quarterly status reports to the Commission, beginning March 15, 2017, three months from the date of this Certificate of Need, and continuing, at three-month intervals, until the completion of the project.

REQUEST FOR FIRST USE REVIEW

RCA-Earleville must request a first use review from the Commission and the Office of Health Care Quality, specifying the anticipated date of first use. Such request must be in writing and made before the first use of its newly constructed space for the detox beds, or for any temporary use of other beds that meet all regulatory approval for detox patients. The Commission will review the request in consultation with the Office of Health Care Quality, as provided in COMAR 10.24.01.18, and the Behavioral Health Administration, as appropriate, to determine whether the project conforms to this Certificate of Need. First use approval does not constitute a license or replace any approvals required by OHCQ, BHA, or others within DHMH to add space to an existing health care facility, or use renovated space within an existing facility. Therefore, RCA-Earleville should assure that OHCQ is notified of the imminent completion of the project and should arrange for completion of any inspections and or approvals required by OHCQ in a timely manner. First use approval remains in effect for 90 days. If first use of the project does not occur within 90 days of approval, RCA-Earleville shall reapply for first use approval. If MHCC staff grants first use approval of temporary space for ASAM Level III.7-D patient, RCA-Earleville must seek final first use approval before use of the newly constructed space for detox patients.

ACKNOWLEDGEMENT OF RECEIPT OF CERTIFICATE OF NEED

Acknowledgement of your receipt of this Certificate of Need, stating acceptance of its terms and conditions, is required within thirty (30) days.

MARYLAND HEALTH CARE COMMISSION



Ben Steffen
Executive Director

cc: Stephanie Garrity, MS, Cecil County Health Officer
Patricia Tomsko Nay, M.D., Executive Director
Office of Health Care Quality
Shauna A. Donahue, Behavioral Health Administration

EXHIBIT 2-A

TABLE E. PROJECT BUDGET - EARLEVILLE - Comparison of Approved Project Cost to Requested Increase in Project Costs, showing variance

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

			Approved ICF Costs	Original % Allocation of ICF Project Costs to Total Project Costs	Variance in ICF Project Costs (Revised Costs - Approved Costs)	Variance in % Allocation of ICF to Total Costs (in raw % points)	Revised ICF Costs	Revised % Allocation of ICF Project Costs to Total Project Costs
A.	USE OF FUNDS							
	1.	CAPITAL COSTS						
	a.	Land Purchase	\$ 1,477,778	19%	\$ -	0%	\$ 1,477,778	19%
	b.	New Construction						
	(1)	Building	\$ 1,287,825	25%	\$ 1,320,282	5%	\$ 2,608,107	30%
	(2)	Fixed Equipment						
	(3)	Site and Infrastructure	\$ 588,131	20%	\$ 574,267	10%	\$ 1,162,398	30%
	(4)	Architect/Engineering Fees	\$ 17,465	25%	\$ 3,765	5%	\$ 21,230	30%
	(5)	Permits (Building, Utilities, Etc.)	\$ 12,305	25%	\$ 2,652	5%	\$ 14,957	30%
		SUBTOTAL	\$ 1,905,726		\$ 1,900,966		\$ 3,806,692	
	c.	Renovations						
	(1)	Building	\$ -	0%	\$ -	0%	\$ -	0%
	(2)	Fixed Equipment	\$ -	0%	\$ -	0%	\$ -	0%
	(3)	Site and Infrastructure	\$ -	0%	\$ -	0%	\$ -	0%
	(4)	Architect/Engineering Fees	\$ -	0%	\$ -	0%	\$ -	0%
	(5)	Permits (Building, Utilities, Etc.)	\$ -	0%	\$ -	0%	\$ -	0%
		SUBTOTAL	\$ -				\$ -	
	d.	Other Capital Costs						
	(1)	Movable Equipment	\$ 184,800	8%	\$ 242,091	11%	\$ 426,891	19%
	(2)	Contingency Allowance	\$ 167,798	22%	\$ 296,524	-3%	\$ 464,322	19%
	(3)	Gross interest during construction period	\$ -		\$ -		\$ -	
	(4)	Legal Fees	\$ 107,143	43%	\$ (58,532)	-23%	\$ 48,611	19%
	(5)	Property Due Diligence	\$ 21,429	43%	\$ (11,707)	-23%	\$ 9,722	19%
		SUBTOTAL	\$ 481,170		\$ 468,376		\$ 949,546	
		TOTAL CURRENT CAPITAL COSTS	\$ 3,864,674		\$ 2,369,342		\$ 6,234,016	
	e.	Inflation Allowance						
							\$ -	
		TOTAL CAPITAL COSTS	\$ 3,864,674		\$ 2,369,342		\$ 6,234,016	

TABLE E. PROJECT BUDGET - EARLEVILLE - Comparison of Approved Project Cost to Requested Increase in Project Costs, showing variance

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

			Approved ICF Costs	Original % Allocation of ICF Project Costs to Total Project Costs	Variance in ICF Project Costs (Revised Costs - Approved Costs)	Variance in % Allocation of ICF to Total Costs (in raw % points)	Revised ICF Costs	Revised % Allocation of ICF Project Costs to Total Project Costs
2.	Financing Cost and Other Cash Requirements				\$ -		\$ -	
	a.	Loan Placement Fees	\$ -		\$ -		\$ -	
	b.	Bond Discount	\$ -		\$ -		\$ -	
	c.	Legal Fees	\$ -		\$ -		\$ -	
	d.	Non-Legal Consultant Fees	\$ -		\$ -		\$ -	
	e.	Liquidation of Existing Debt	\$ -		\$ -		\$ -	
	f.	Debt Service Reserve Fund	\$ -		\$ -		\$ -	
	g.	Transaction Costs	\$ 754,424	25%	\$ (177,969)	-6%	\$ 576,455	19%
	h.	Acquisition Costs	\$ 162,857	43%	\$ (88,968)	-23%	\$ 73,889	19%
	i.	Due Diligence Costs	\$ 64,286	43%	\$ (35,119)	-23%	\$ 29,167	19%
		SUBTOTAL	\$ 981,567		\$ (302,056)		\$ 679,511	
3.	Working Capital Startup Costs		\$ 749,143	31%	\$ (274,088)	-11%	\$ 475,055	19%
		TOTAL USES OF FUNDS	\$ 5,595,384		\$ 1,793,198		\$ 7,388,582	
B. Sources of Funds								
1.	Cash		\$ -		\$ -		\$ -	
2.	Philanthropy (to date and expected)		\$ -		\$ -		\$ -	
3.	Authorized Bonds		\$ -		\$ -		\$ -	
4.	Interest Income from bond proceeds listed in #3		\$ -		\$ -		\$ -	
5.	Mortgage		\$ 4,812,030		\$ 1,542,150		\$ 6,354,180	
6.	Working Capital Loans		\$ -		\$ -		\$ -	
7.	Grants or Appropriations				\$ -		\$ -	
	a.	Federal	\$ -		\$ -		\$ -	
	b.	State	\$ -		\$ -		\$ -	
	c.	Local	\$ -		\$ -		\$ -	
8.	Equity funding		\$ 783,354		\$ 251,048		\$ 1,034,402	
		TOTAL SOURCES OF FUNDS	\$ 5,595,384		\$ 1,793,198		\$ 7,388,582	
Annual Lease Costs (if applicable)								
1.	Land							
2.	Building							
3.	Major Movable Equipment							
4.	Minor Movable Equipment							
5.	Other (Specify/add rows if needed)							

Describe the terms of the lease(s) below, including information on the fair market value of the item(s), and the number of years, annual cost, and the interest rate for the lease.

EXHIBIT 2-B

TABLE E. PROJECT BUDGET - EARLEVILLE - Project Costs based only on % Cost Allocation in Approved Budget

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

			Approved ICF Costs	Variance in ICF Project Costs (Revised Costs - Approved Costs)	Revised ICF Costs	% Allocation in Approved Budget (applied to both cost columns)
A.	USE OF FUNDS					
	1.	CAPITAL COSTS				
	a.	Land Purchase	\$ 1,477,778	\$ -	\$ 1,477,778	19%
	b.	New Construction	\$ -			
	(1)	Building	\$ 1,287,825	\$ 885,598	\$ 2,173,423	25%
	(2)	Fixed Equipment	\$ -			
	(3)	Site and Infrastructure	\$ 588,131	\$ 173,240	\$ 761,371	20%
	(4)	Architect/Engineering Fees	\$ 17,465	\$ -	\$ 17,465	25%
	(5)	Permits (Building, Utilities, Etc.)	\$ 12,305	\$ -	\$ 12,305	25%
		SUBTOTAL	\$ 1,905,726	\$ 1,058,838	\$ 2,964,564	
	c.	Renovations				
	(1)	Building	\$ -	\$ -	\$ -	0%
	(2)	Fixed Equipment	\$ -	\$ -	\$ -	0%
	(3)	Site and Infrastructure	\$ -	\$ -	\$ -	0%
	(4)	Architect/Engineering Fees	\$ -	\$ -	\$ -	0%
	(5)	Permits (Building, Utilities, Etc.)	\$ -	\$ -	\$ -	0%
		SUBTOTAL	\$ -	\$ -	\$ -	
	d.	Other Capital Costs				
	(1)	Movable Equipment	\$ 184,800	\$ -	\$ 184,800	8%
	(2)	Contingency Allowance	\$ 167,798	\$ 362,950	\$ 530,748	22%
	(3)	Gross interest during construction period	\$ -	\$ -	\$ -	
	(4)	Legal Fees	\$ 107,143	\$ -	\$ 107,143	43%
	(5)	Property Due Diligence	\$ 21,429	\$ -	\$ 21,429	43%

TABLE E. PROJECT BUDGET - EARLEVILLE - Project Costs based only on % Cost Allocation in Approved Budget

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

				<i>Approved ICF Costs</i>	<i>Variance in ICF Project Costs (Revised Costs - Approved Costs)</i>	<i>Revised ICF Costs</i>	<i>% Allocation in Approved Budget (applied to both cost columns)</i>
			SUBTOTAL	\$ 481,170	\$ 362,950	\$ 844,120	
			TOTAL CURRENT CAPITAL COSTS	\$ 3,864,674	\$ 1,421,788	\$ 5,286,462	
		e.	Inflation Allowance				
			TOTAL CAPITAL COSTS	\$ 3,864,674	\$ 1,421,788	\$ 5,286,462	
2.	Financing Cost and Other Cash Requirements						
	a.		Loan Placement Fees	\$ -	\$ -	\$ -	
	b.		Bond Discount	\$ -	\$ -	\$ -	
	c.		Legal Fees	\$ -	\$ -	\$ -	
	d.		Non-Legal Consultant Fees	\$ -	\$ -	\$ -	
	e.		Liquidation of Existing Debt	\$ -	\$ -	\$ -	
	f.		Debt Service Reserve Fund	\$ -	\$ -	\$ -	
	g.		Transaction Costs	\$ 754,424	\$ -	\$ 754,424	25%
	h.		Acquisition Costs	\$ 162,857	\$ -	\$ 162,857	43%
	i.		Due Diligence Costs	\$ 64,286	\$ -	\$ 64,286	43%
			SUBTOTAL	\$ 981,567	\$ -	\$ 981,567	
3.	Working Capital Startup Costs			\$ 749,143	\$ -	\$ 749,143	31%
			TOTAL USES OF FUNDS	\$ 5,595,384	\$ 1,421,788	\$ 7,017,172	

EXHIBIT 2-C

TABLE E. PROJECT BUDGET - EARLEVILLE - Project Costs based only on % Cost Allocation in Revised Budget

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

			Approved ICF Costs	Variance in ICF Project Costs (Revised Costs - Approved Costs)	Revised ICF Costs	% Allocation Based on Requested Change in Allocation (applied to both cost columns)
A.	USE OF FUNDS					
	1.	CAPITAL COSTS				
	a.	Land Purchase	\$ 1,477,778	\$ -	\$ 1,477,778	19%
	b.	New Construction				
	(1)	Building	\$ 1,545,390	\$ 1,062,717	\$ 2,608,107	30%
	(2)	Fixed Equipment				
	(3)	Site and Infrastructure	\$ 897,910	\$ 264,488	\$ 1,162,398	30%
	(4)	Architect/Engineering Fees	\$ 21,230	\$ -	\$ 21,230	30%
	(5)	Permits (Building, Utilities, Etc.)	\$ 14,957	\$ -	\$ 14,957	30%
		SUBTOTAL	\$ 2,479,486	\$ 1,327,206	\$ 3,806,692	
	c.	Renovations				
	(1)	Building	\$ -	\$ -	\$ -	0%
	(2)	Fixed Equipment	\$ -	\$ -	\$ -	0%
	(3)	Site and Infrastructure	\$ -	\$ -	\$ -	0%
	(4)	Architect/Engineering Fees	\$ -	\$ -	\$ -	0%
	(5)	Permits (Building, Utilities, Etc.)	\$ -	\$ -	\$ -	0%
		SUBTOTAL	\$ -	\$ -	\$ -	
	d.	Other Capital Costs				
	(1)	Movable Equipment	\$ 426,891	\$ -	\$ 426,891	19%
	(2)	Contingency Allowance	\$ 146,797	\$ 317,525	\$ 464,322	19%
	(3)	Gross interest during construction period	\$ -	\$ -	\$ -	
	(4)	Legal Fees	\$ 48,611	\$ -	\$ 48,611	19%
	(5)	Property Due Diligence	\$ 9,722	\$ -	\$ 9,722	19%

TABLE E. PROJECT BUDGET - EARLEVILLE - Project Costs based only on % Cost Allocation in Revised Budget

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

				<i>Approved ICF Costs</i>	<i>Variance in ICF Project Costs (Revised Costs - Approved Costs)</i>	<i>Revised ICF Costs</i>	<i>% Allocation Based on Requested Change in Allocation (applied to both cost columns)</i>
			SUBTOTAL	\$ 632,021	\$ 317,525	\$ 949,546	
			TOTAL CURRENT CAPITAL COSTS	\$ 4,589,286	\$ 1,644,730	\$ 6,234,016	
		e.	Inflation Allowance				
			TOTAL CAPITAL COSTS	\$ 4,589,286	\$ 1,644,730	\$ 6,234,016	
2.	Financing Cost and Other Cash Requirements				\$ -		
	a.	Loan Placement Fees		\$ -	\$ -	\$ -	
	b.	Bond Discount		\$ -	\$ -	\$ -	
	c.	Legal Fees		\$ -	\$ -	\$ -	
	d.	Non-Legal Consultant Fees		\$ -	\$ -	\$ -	
	e.	Liquidation of Existing Debt		\$ -	\$ -	\$ -	
	f.	Debt Service Reserve Fund		\$ -	\$ -	\$ -	
	g.	Transaction Costs		\$ 576,455	\$ -	\$ 576,455	19%
	h.	Acquisition Costs		\$ 73,889	\$ -	\$ 73,889	19%
	i	Due Diligence Costs		\$ 29,167	\$ -	\$ 29,167	19%
			SUBTOTAL	\$ 679,511	\$ -	\$ 679,511	
3.	Working Capital Startup Costs			\$ 475,055	\$ -	\$ 475,055	19%
			TOTAL USES OF FUNDS	\$ 5,743,852	\$ 1,644,730	\$ 7,388,582	